

South Redford School District

Financial Report with Supplemental Information June 30, 2004

South Redford School District

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Independent Auditor's Report

To the Board of Education
South Redford School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Redford School District as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the South Redford School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Redford School District as of June 30, 2004 and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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To the Board of Education
South Redford School District

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Redford School District's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board. The other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2004 on our consideration of the South Redford School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

August 12, 2004

South Redford School District

Management's Discussion and Analysis

This section of the South Redford School District's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2004. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand South Redford School District financially as a whole. The district-wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a long-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General and Debt Service Funds, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary Information for Major Funds

Other Supplemental Information

Reporting the School District as a Whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the current year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

South Redford School District

Management's Discussion and Analysis (Continued)

The statement of net assets and the statement of activities report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Services and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationships (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

South Redford School District

Management's Discussion and Analysis (Continued)

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds (i.e., school clubs and organizations). All of the School District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

The statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2004 and 2003:

TABLE I

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2004 | 2003 |
| | (in millions) | |
| Assets | | |
| Current and other assets | \$ 8.6 | \$ 9.3 |
| Capital assets | <u>30.6</u> | <u>32.4</u> |
| Total assets | 39.2 | 41.7 |
| Liabilities | | |
| Current liabilities | 3.6 | 3.7 |
| Long-term liabilities | <u>32.8</u> | <u>34.4</u> |
| Total liabilities | <u>36.4</u> | <u>38.1</u> |
| Net Assets | | |
| Invested in property and equipment - Net of related debt | (3.5) | (3.0) |
| Restricted | 0.9 | 1.0 |
| Unrestricted | <u>5.4</u> | <u>5.6</u> |
| Total net assets | <u><u>\$ 2.8</u></u> | <u><u>\$ 3.6</u></u> |

South Redford School District

Management's Discussion and Analysis (Continued)

The above analysis focuses on the net assets (see Table 1). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$2.8 million and \$3.6 million at June 30, 2004 and 2003, respectively. Capital assets, net of related debt totaling (\$3.5) million, compares the original cost, less depreciation of the School District's capital assets, to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets, \$5.4 million, is unrestricted.

The unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net assets balance enables the School District to meet working capital and cash flow requirements as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years June 30, 2004 and 2003:

TABLE 2

| | Governmental Activities | |
|----------------------------|-------------------------|--------|
| | 2004 | 2003 |
| | (in millions) | |
| Revenue | | |
| Program revenue: | | |
| Charges for services | \$ 1.3 | \$ 1.9 |
| Operating grants | 3.0 | 2.9 |
| General revenue: | | |
| Property taxes | 7.6 | 7.6 |
| State foundation allowance | 20.8 | 21.7 |
| Other | 0.1 | 0.1 |
| Total revenue | 32.8 | 34.2 |

South Redford School District

Management's Discussion and Analysis (Continued)

TABLE 2 (Continued)

| | Governmental Activities | |
|-----------------------------------|-------------------------|-------------|
| | 2004 | 2003 |
| | (in millions) | |
| Functions/Program Expenses | | |
| Instruction | \$ 15.0 | \$ 14.3 |
| Support services | 12.9 | 13.7 |
| Community services | 0.3 | 0.2 |
| Food services | 0.9 | 0.9 |
| Athletics | 0.5 | 0.4 |
| Interest on long-term debt | 1.9 | 2.3 |
| Depreciation (unallocated) | 2.1 | 2.4 |
| Total functions/program expenses | 33.6 | 34.2 |
| Decrease in Net Assets | \$ (0.8) | \$ - |

As reported in the statement of activities, the cost of all of our governmental activities was \$33.6 million. Certain activities were partially funded from those who benefited from the programs (\$1.3 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$3.0 million). We paid for the remaining "public benefit" portion of our governmental activities with \$7.6 million in taxes, \$20.8 million in state foundation allowance, and with our other revenues, i.e., interest and general entitlements that totaled \$.1 million.

The School District experienced a decrease in net assets of \$.8 million. A key reason for the change in net assets was a decrease in State revenue due to a State-mandated cut in the foundation allowance per student. Despite this cut, the School District elected not to reduce educational programs for student achievement.

Since property taxes for operations and unrestricted State aid constitute the vast majority of district operating revenue sources, the Board of Education and administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Reviewing individual funds helps the reader consider whether the School District is fiscally responsible for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

South Redford School District

Management's Discussion and Analysis (Continued)

At June 30, 2004, the governmental funds reported a combined fund balance of approximately \$7.1 million, a decrease of \$.5 million from last year. The primary reason for the reduction was a decrease in foundation allowance revenue due to a decrease in student enrollment and an executive order issued by the governor.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

The Special Revenue Funds, which consist of the Food Services and Athletics Funds, remained stable from the prior year.

The Debt Service Fund balance decreased slightly from the prior year. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. The Debt Service Fund's fund balance is reserved since its funds can only be used to pay debt service obligations.

General Fund Budgetary Highlights

Over the course of the year, the School District revises the budget to periodically reflect changes in revenues and expenditures. State law requires amendments to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted before year end. A budgetary comparison schedule is provided in the required supplemental information showing the School District's original and final budget amounts compared with amounts actually paid and received.

Revisions were made to the 2003-2004 General Fund original budget. Budgeted revenues were increased \$.4 million due to anticipated adjustments to the general and special education foundation allowances. However, there is a significant difference between the final budgeted and actual revenues. Actual revenues were overbudgeted by approximately \$.4 million. The anticipated adjustments to the general education and special education foundation allowances were not realized.

There were no significant revisions made to the budgeted expenditures. No significant variances exist between budgeted and actual amounts.

South Redford School District

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2004, the School District had \$30.6 million invested in a broad range of capital assets, including land, buildings, vehicles, furniture, and equipment. This amount represents a net decrease (including additions, disposals, and depreciation) of approximately \$1.8 million, or 5.6 percent, from last year.

| | 2004 | 2003 |
|-------------------------------------|----------------------|----------------------|
| Land | \$ 435,068 | \$ 435,068 |
| Buildings and building improvements | 54,673,689 | 54,667,826 |
| Buses and other vehicles | 1,889,871 | 1,792,237 |
| Furniture and equipment | 2,210,173 | 2,215,777 |
| Total capital assets | 59,208,801 | 59,110,908 |
| Accumulated depreciation | 28,638,249 | 26,720,205 |
| Total net assets | <u>\$ 30,570,552</u> | <u>\$ 32,390,703</u> |

This year's additions of approximately \$331,000 included building improvements, equipment, and four new 84-passenger buses. Notes payable totaling approximately \$301,000 were issued for the bus additions.

No major capital projects are planned for the 2004-2005 fiscal year, as there is no plan to purchase passenger buses. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the School District had \$33.4 million in bonds outstanding versus \$34.7 million in the previous year - a decrease of 3.7 percent. Bonds consisted of the following:

| | 2004 | 2003 |
|--------------------------------|----------------------|----------------------|
| School Building and Site Bonds | \$ 24,035,000 | \$ 25,285,000 |
| Serial Refunding Bonds | 9,345,000 | 9,395,000 |
| Total | <u>\$ 33,380,000</u> | <u>\$ 34,680,000</u> |

South Redford School District

Management's Discussion and Analysis (Continued)

The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District does not have any outstanding unqualified general obligation debt.

Other obligations include employee compensated absences, early retirement incentives, and equipment notes. We present more detailed information about our long-term liabilities in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2004-2005 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2004-2005 fiscal year is 20 percent and 80 percent of the February 2004 and September 2004 student counts, respectively. The 2004-2005 budget was adopted in June 2004, based on an estimate of students that will be enrolled in September 2004. Approximately 75 percent of total General Fund revenue is from the foundation allowance. Under State law, the School District cannot assess additional property tax revenue for general operations. As a result, School District funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2004-2005 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2004-2005 budget. Once the final student count and related per pupil funding are validated, State law requires the School District to amend the budget if actual district resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates future funding continues to be in jeopardy of being cut on a per student basis.

South Redford School District

Statement of Net Assets June 30, 2004

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and investments (Note 3) | \$ 3,494,028 |
| Receivables (Note 4) | 4,552,809 |
| Prepaid costs | 547,583 |
| Capital assets - Net (Note 5) | <u>30,570,552</u> |
| Total assets | 39,164,972 |
| Liabilities | |
| Accounts payable | 414,935 |
| Accrued payroll and withholdings | 215,346 |
| Other accrued liabilities | 733,351 |
| Due to other governmental units | 27,880 |
| Deferred revenue (Note 4) | 422,794 |
| Long-term liabilities (Note 7): | |
| Due within one year | 1,799,232 |
| Due in more than one year | <u>32,765,201</u> |
| Total liabilities | <u>36,378,739</u> |
| Net Assets | |
| Investment in capital assets - Net of related debt | (3,551,526) |
| Restricted for debt service | 924,844 |
| Unrestricted | <u>5,412,915</u> |
| Total net assets | <u><u>\$ 2,786,233</u></u> |

South Redford School District

Statement of Activities Year Ended June 30, 2004

| | Program Revenues | | | Governmental |
|--|--------------------------|-------------------------|--------------------------------|--|
| | Expenses | Charges for Services | Operating Grants/Contributions | Activities Net (Expense) Revenue and Changes in Net Assets |
| Functions/Programs | | | | |
| Primary government - Governmental activities: | | | | |
| Instruction | \$ 15,010,236 | \$ 587,834 | \$ 1,812,742 | \$ (12,609,660) |
| Support services | 12,901,393 | - | 776,889 | (12,124,504) |
| Food services | 939,667 | 579,860 | 393,316 | 33,509 |
| Athletics | 463,722 | 35,643 | - | (428,079) |
| Community services | 305,733 | 75,027 | - | (230,706) |
| Interest on long-term debt | 1,839,575 | - | - | (1,839,575) |
| Depreciation (unallocated) | 2,136,149 | - | - | (2,136,149) |
| Total primary government - Governmental activities | \$ 33,596,475 | \$ 1,278,364 | \$ 2,982,947 | (29,335,164) |
| General revenues: | | | | |
| Taxes: | | | | |
| Property taxes, levied for general purposes | | | | 4,497,242 |
| Property taxes, levied for debt services | | | | 3,088,330 |
| State aid not restricted to specific purposes | | | | 20,858,640 |
| Interest and investment earnings | | | | 58,840 |
| Special item - Gain on sale of capital assets | | | | 28,776 |
| Total general revenues | | | | 28,531,828 |
| Change in Net Assets | | | | (803,336) |
| Net Assets - Beginning of year | | | | 3,589,569 |
| Net Assets - End of year | | | | \$ 2,786,233 |

South Redford School District

Governmental Funds Balance Sheet June 30, 2004

| | General | Debt Service | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|-------------------|--|--------------------------------|
| Assets | | | | |
| Cash and investments (Note 3) | \$ 2,995,463 | \$ 498,565 | \$ - | \$ 3,494,028 |
| Receivables: | | | | |
| Taxes | 177,104 | 137,162 | - | 314,266 |
| Due from other governmental units | 4,057,095 | - | - | 4,057,095 |
| Other | 181,448 | - | - | 181,448 |
| Due from other funds | - | 289,117 | - | 289,117 |
| Prepaid costs | 547,583 | - | - | 547,583 |
| Total assets | <u>\$ 7,958,693</u> | <u>\$ 924,844</u> | <u>\$ -</u> | <u>\$ 8,883,537</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 414,935 | \$ - | \$ - | \$ 414,935 |
| Accrued payroll and withholdings | 215,346 | - | - | 215,346 |
| Other accrued liabilities | 397,695 | - | - | 397,695 |
| Due to other funds | 289,117 | - | - | 289,117 |
| Due to other governmental units | 27,880 | - | - | 27,880 |
| Deferred revenue | 422,794 | - | - | 422,794 |
| Total liabilities | 1,767,767 | - | - | 1,767,767 |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Prepays | 547,583 | - | - | 547,583 |
| Debt service | - | 924,844 | - | 924,844 |
| Unreserved: | | | | |
| Designated for educational programs | 300,000 | - | - | 300,000 |
| Designated for Durant Projects | 1,747,561 | - | - | 1,747,561 |
| Undesignated | 3,595,782 | - | - | 3,595,782 |
| Total fund balances | 6,190,926 | 924,844 | - | 7,115,770 |
| Total liabilities and fund balances | <u>\$ 7,958,693</u> | <u>\$ 924,844</u> | <u>\$ -</u> | <u>\$ 8,883,537</u> |

South Redford School District

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets Year Ended June 30, 2004

Fund Balance - Total Governmental Funds \$ 7,115,770

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

| | | |
|--------------------------|---------------------|------------|
| Cost of capital assets | \$ 59,208,801 | |
| Accumulated depreciation | <u>(28,638,249)</u> | 30,570,552 |

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

| | |
|-----------------------------|--------------|
| Bonds payable | (33,380,000) |
| Notes payable | (406,422) |
| Other long-term obligations | (778,011) |

| | |
|---|------------------|
| Accrued interest payable is not included as a liability in governmental funds | <u>(335,656)</u> |
|---|------------------|

Net Assets - Governmental Activities \$ 2,786,233

South Redford School District

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2004

| | General Fund | Debt Service | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------|--|--------------------------------|
| Revenue | | | | |
| Local sources | \$ 5,297,294 | \$ 3,098,466 | \$ 615,503 | \$ 9,011,263 |
| State sources | 22,321,882 | - | 57,821 | 22,379,703 |
| Federal sources | 827,752 | - | 335,495 | 1,163,247 |
| Interdistrict sources | 210,150 | - | - | 210,150 |
| Total revenue | 28,657,078 | 3,098,466 | 1,008,819 | 32,764,363 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 14,975,174 | - | - | 14,975,174 |
| Support services | 13,263,177 | - | - | 13,263,177 |
| Community services | 305,733 | - | - | 305,733 |
| Food service | - | - | 939,667 | 939,667 |
| Athletics | - | - | 463,722 | 463,722 |
| Debt service: | | | | |
| Principal | 235,468 | 1,300,000 | - | 1,535,468 |
| Interest | 19,665 | 1,833,976 | - | 1,853,641 |
| Other | - | 425 | - | 425 |
| Capital outlay | 5,863 | - | - | 5,863 |
| Intergovernmental transfers | 276,955 | - | - | 276,955 |
| Total expenditures | 29,082,035 | 3,134,401 | 1,403,389 | 33,619,825 |
| Excess of Expenditures Over Revenue | (424,957) | (35,935) | (394,570) | (855,462) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 34,009 | - | 428,079 | 462,088 |
| Transfers out | (428,079) | - | (34,009) | (462,088) |
| Proceeds from the sale of fixed assets | 44,000 | - | - | 44,000 |
| Proceeds from the issuance of debt | 301,116 | - | - | 301,116 |
| Total other financing sources (uses) | (48,954) | - | 394,070 | 345,116 |
| Net Change in Fund Balances | (473,911) | (35,935) | (500) | (510,346) |
| Fund Balances - Beginning of year | 6,664,837 | 960,779 | 500 | 7,626,116 |
| Fund Balances - End of year | <u>\$ 6,190,926</u> | <u>\$ 924,844</u> | <u>\$ -</u> | <u>\$ 7,115,770</u> |

South Redford School District

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (510,346)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

| | | |
|----------------------------|----------------|-------------|
| Depreciation expense | \$ (2,136,149) | |
| Capitalized capital outlay | <u>331,222</u> | (1,804,927) |

| | |
|--|----------|
| Governmental funds report proceeds from sale of assets as revenue; in the statement of activities, these are recorded net of the carrying value of the disposed assets | (15,224) |
|--|----------|

| | |
|---|-----------|
| Note payable issuance is not reported as financing sources in the statement of activities | (301,116) |
|---|-----------|

| | |
|--|--------|
| Interest expense is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid | 14,066 |
|--|--------|

| | |
|--|-----------|
| Repayment of bond principal and note is an expenditure in the governmental funds, but not in the statement of activities | 1,535,468 |
|--|-----------|

| | |
|--|----------------|
| Compensated absences and early retirement incentives are recorded when earned in the statement of activities. In the current year, more was paid out than was earned | <u>278,743</u> |
|--|----------------|

Change in Net Assets of Governmental Activities **\$ (803,336)**

South Redford School District

Fiduciary Fund Statement of Fiduciary Assets and Liabilities June 30, 2004

Student Activities
Agency Fund

Assets - Cash and investments

\$ 169,694

Liabilities - Due to student groups

\$ 169,694

South Redford School District

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies

The accounting policies of the South Redford School District (the "School District") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's district-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

South Redford School District

Notes to Financial Statements June 30, 2004

Note I - Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the School District.

South Redford School District

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

General Fund - The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those required to be accounted for in another fund.

Debt Service Fund - The Debt Service Fund is used to record tax, interest, and other revenue for payment of interest, principal, and other expenditures on the 1996 and 1998 Serial Refunding bond issues.

Additionally, the School District reports the following nonmajor governmental fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School District's Special Revenue Funds include the Food Services and Athletics Funds. Any deficit generated by these activities is the responsibility of the General Fund.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Investment income is recorded in the fund for which the investment account was established.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

The School District considers all accounts receivable to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are billed July 1 for approximately 50 percent of the taxes and on December 1 for the remainder of the property taxes. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

Note I - Summary of Significant Accounting Policies (Continued)

Prepaid Items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the district-wide financial statements. Capital assets are defined by the School District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The School District does not have infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

| | |
|-------------------------------------|-------------|
| Buildings and building improvements | 20-50 years |
| Buses and other vehicles | 7-8 years |
| Furniture and equipment | 5-20 years |

Compensated Absences - The liability for compensated absences reported in the district-wide statements consists of earned but unused accumulated vacation, sick leave benefits, and early retirement incentives. A liability for these amounts is reported in governmental funds as it comes due for payment. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations - In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

The face amount of debt issued is reported as other financing sources. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

South Redford School District

Notes to Financial Statements June 30, 2004

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data - Comparative data is not included in the School District's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the General, Debt Service, and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year. There were no outstanding encumbrances as of June 30, 2004.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

South Redford School District

Notes to Financial Statements June 30, 2004

Note 3 - Deposits and Investments (Continued)

At year end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

| | Governmental Activities | Fiduciary Funds | Total Primary Government |
|---------------------------|----------------------------|-------------------|-----------------------------|
| Cash and cash equivalents | \$ 296,275 | \$ 13,203 | \$ 309,478 |
| Investments | <u>3,197,753</u> | <u>156,491</u> | <u>3,354,244</u> |
| Total | <u>\$ 3,494,028</u> | <u>\$ 169,694</u> | <u>\$ 3,663,722</u> |

The breakdown between deposits and investments for the School District is as follows:

| | |
|---|---------------------|
| Deposits (checking and savings accounts, certificates of deposit) | \$ 308,678 |
| Investments in securities, mutual funds, and similar vehicles | 3,354,244 |
| Petty cash and cash on hand | <u>800</u> |
| Total | <u>\$ 3,663,722</u> |

The deposits of the School District were reflected in the accounts of the financial institution at \$1,676,459, of which \$111,343 is covered by federal depository insurance.

The School District's investments at June 30, 2004 were entirely invested in an interlocal agreement investment pool (MILAF) that had a carrying value of \$3,354,244.

Investments are normally categorized to give an indication of the level of risk assumed by the School District; however, interlocal agreement pool investment funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

South Redford School District

Notes to Financial Statements June 30, 2004

Note 4 - Receivables

Receivables as of year end for the School District's major funds, in the aggregate, are as follows:

| | General Fund | Debt Service Fund | Total |
|-------------------|---------------------|----------------------|---------------------|
| Receivables: | | | |
| Taxes | \$ 177,104 | \$ 137,162 | \$ 314,266 |
| Intergovernmental | 4,057,095 | - | 4,057,095 |
| Other | 181,448 | - | 181,448 |
| Net receivables | <u>\$ 4,415,647</u> | <u>\$ 137,162</u> | <u>\$ 4,552,809</u> |

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | Unavailable | Unearned |
|---|-------------|-------------------|
| Grant and categorical aid payment received prior to meeting all eligibility requirements | <u>\$ -</u> | <u>\$ 422,794</u> |

South Redford School District

Notes to Financial Statements June 30, 2004

Note 5 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

| | Balance July 1, 2003 | Additions | Disposals and Adjustments | Balance June 30, 2004 |
|---|-------------------------|----------------|------------------------------|--------------------------|
| Capital assets not being depreciated - Land | \$ 435,068 | \$ - | \$ - | \$ 435,068 |
| Capital assets being depreciated: | | | | |
| Building and building improvements | 54,667,826 | 5,863 | - | 54,673,689 |
| Buses and other vehicles | 1,792,237 | 301,116 | 203,482 | 1,889,871 |
| Furniture and equipment | 2,215,777 | 24,243 | 29,847 | 2,210,173 |
| Total capital assets being depreciated | 58,675,840 | 331,222 | 233,329 | 58,773,733 |
| Total capital assets | 59,110,908 | 331,222 | 233,329 | 59,208,801 |
| Accumulated depreciation: | | | | |
| Building and building improvements | 23,754,446 | 1,716,754 | - | 25,471,200 |
| Buses and other vehicles | 1,178,193 | 188,217 | 203,480 | 1,162,930 |
| Furniture and equipment | 1,787,566 | 231,178 | 14,625 | 2,004,119 |
| Subtotal | 26,720,205 | 2,136,149 | 218,105 | 28,638,249 |
| Net capital assets being depreciated | 31,955,635 | (1,804,927) | 15,224 | 30,135,484 |
| Net governmental capital assets | \$ 32,390,703 | \$ (1,804,927) | \$ 15,224 | \$ 30,570,552 |

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| | Fund Due To | Fund Due From General Fund |
|-------------------|-------------|-------------------------------|
| Debt Service Fund | | \$ 289,117 |

South Redford School District

Notes to Financial Statements June 30, 2004

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

The \$289,117 amount above is property tax monies recorded in the General Fund but owed to the Debt Service Fund. This amount has been transferred subsequent to June 30, 2004.

Interfund Transfers

| | Transfers Out | | |
|---------------------|-------------------|--------------------|-------------------|
| | General Fund | Food Services Fund | Total |
| Transfers In | | | |
| General Fund | \$ - | \$ 34,009 | \$ 34,009 |
| Athletics Fund | 428,079 | - | 428,079 |
| Total | <u>\$ 428,079</u> | <u>\$ 34,009</u> | <u>\$ 462,088</u> |

Note 7 - Long-term Debt

The School District issues bonds and notes to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Notes are also general obligations of the School District. Other long-term obligations include compensated absences and early retirement incentives.

Long-term obligation activity can be summarized as follows:

| | Balance July 1, 2003 | Additions | Reductions | Balance June 30, 2004 | Due Within One Year |
|--------------------------------|-------------------------|-------------------|-----------------------|--------------------------|------------------------|
| Governmental activities: | | | | | |
| School Building and Site Bonds | \$ 25,285,000 | \$ - | \$ (1,250,000) | \$ 24,035,000 | \$ 1,325,000 |
| Serial Refunding Bonds | 9,395,000 | - | (50,000) | 9,345,000 | 55,000 |
| Total bonds payable | 34,680,000 | - | (1,300,000) | 33,380,000 | 1,380,000 |
| Notes | 340,774 | 301,116 | (235,468) | 406,422 | 165,824 |
| Other obligations | 1,056,754 | 50,088 | (328,831) | 778,011 | 253,408 |
| Total governmental activities | <u>\$ 36,077,528</u> | <u>\$ 351,204</u> | <u>\$ (1,864,299)</u> | <u>\$ 34,564,433</u> | <u>\$ 1,799,232</u> |

South Redford School District

Notes to Financial Statements June 30, 2004

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

| | Governmental Activities | | |
|-----------|-------------------------|----------------------|----------------------|
| | Principal | Interest | Total |
| 2005 | \$ 1,545,824 | \$ 2,231,365 | \$ 3,777,189 |
| 2006 | 1,575,151 | 2,143,067 | 3,718,218 |
| 2007 | 1,595,223 | 2,047,740 | 3,642,963 |
| 2008 | 1,670,224 | 1,945,718 | 3,615,942 |
| 2009 | 1,690,000 | 1,863,403 | 3,553,403 |
| 2010-2014 | 9,360,000 | 7,065,798 | 16,425,798 |
| 2015-2019 | 13,040,000 | 3,807,350 | 16,847,350 |
| 2020-2022 | 3,310,000 | 856,288 | 4,166,288 |
| Total | <u>\$ 33,786,422</u> | <u>\$ 21,960,729</u> | <u>\$ 55,747,151</u> |

Governmental Activities

General obligation bonds consist of the following:

| | |
|--|----------------------|
| \$39,890,000 of 1996 School Building and Site Bonds due in annual installments of \$1,325,000 to \$2,050,000 through May 1, 2022; interest at 5.15 percent to 6.75 percent | \$ 24,035,000 |
| \$9,585,000 of Serial Refunding Bonds due in annual installments of \$10,000 to \$1,805,000 through May 1, 2022; interest at 3.95 percent to 4.75 percent | <u>9,345,000</u> |
| Total bonded debt | <u>\$ 33,380,000</u> |

South Redford School District

Notes to Financial Statements June 30, 2004

Note 7 - Long-term Debt (Continued)

Notes consist of the following:

| Date | Original Amount | Due Date | Interest Rate (Percent) | Remaining to Maturity | |
|----------|--------------------|----------|-------------------------------|-----------------------|-------------------|
| | | | | Interest | Principal |
| 07/01/00 | \$ 228,372 | 12/01/04 | 5.49 | \$ 1,254 | \$ 45,674 |
| 07/24/01 | 299,637 | 12/01/05 | 4.37 | 5,247 | 119,855 |
| 07/31/03 | <u>301,116</u> | 12/01/07 | 2.49 | <u>11,996</u> | <u>240,893</u> |
| Total | <u>\$ 829,125</u> | | | <u>\$ 18,497</u> | <u>\$ 406,422</u> |

Other governmental activities long-term obligations include the following:

| | |
|-------------------------------|-------------------|
| Employee-compensated absences | \$ 160,782 |
| Early retirement incentive | <u>617,229</u> |
| Total | <u>\$ 778,011</u> |

Advance Refunding - In a prior year, the School District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2004, \$8,890,000 of bonds outstanding are considered defeased.

Note 8 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for these claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Defined Benefit Pension Plan and Postemployment Benefits

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671.

Funding Policy - Employer contributions to the MPERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 12.99 percent for the period from July 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPERS plan for the years ended June 30, 2004, 2003, and 2002 were \$2,307,000, \$2,241,000, and \$2,053,000, respectively.

Postemployment Benefits - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post-employment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

Required Supplemental Information

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|--------------------------------------|----------------------|----------------------|----------------------|------------------------------|
| Revenue | | | | |
| Local Sources | | | | |
| Taxes: | | | | |
| Property taxes | \$ 4,148,200 | \$ 4,371,300 | \$ 4,497,242 | \$ 125,942 |
| Interest on delinquent taxes | 15,000 | 6,000 | 6,727 | 727 |
| Total taxes | 4,163,200 | 4,377,300 | 4,503,969 | 126,669 |
| Tuition | 69,000 | 76,700 | 75,027 | (1,673) |
| Interest | 47,300 | 40,400 | 41,977 | 1,577 |
| Other local revenue | 521,200 | 579,100 | 676,321 | 97,221 |
| Total local sources | 4,800,700 | 5,073,500 | 5,297,294 | 223,794 |
| State Sources | | | | |
| Foundation grant | 21,832,200 | 21,170,300 | 20,858,640 | (311,660) |
| Foundation grant - Special education | 620,000 | 618,500 | 673,438 | 54,938 |
| At risk | 415,000 | 415,000 | 306,676 | (108,324) |
| Gifted grant | 8,500 | 8,500 | 510 | (7,990) |
| Special education | 480,000 | 989,700 | 467,982 | (521,718) |
| Literacy achievement | - | - | 11,834 | 11,834 |
| Vocational education | 10,000 | 2,300 | 2,802 | 502 |
| Total State sources | 23,365,700 | 23,204,300 | 22,321,882 | (882,418) |
| Federal Sources | | | | |
| IDEA and Preschool Incentive | 216,550 | 383,200 | 480,291 | 97,091 |
| Title I | 157,750 | 144,900 | 131,934 | (12,966) |
| Other federal grants | 75,000 | 80,000 | 215,527 | 135,527 |
| Total federal sources | 449,300 | 608,100 | 827,752 | 219,652 |
| Interdistrict Sources | | | | |
| | - | 127,600 | 210,150 | 82,550 |
| Total General Fund revenue | <u>\$ 28,615,700</u> | <u>\$ 29,013,500</u> | <u>\$ 28,657,078</u> | <u>\$ (356,422)</u> |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|------------------------|--------------------|-----------------|--------------|------------------------------|
| Expenditures | | | | |
| Instruction | | | | |
| Basic programs: | | | | |
| Elementary: | | | | |
| Salaries | \$ 3,901,700 | \$ 3,929,300 | \$ 3,955,137 | \$ 25,837 |
| Fringe benefits | 1,504,400 | 1,496,400 | 1,531,042 | 34,642 |
| Purchased services | 43,300 | 33,400 | 48,621 | 15,221 |
| Supplies and materials | 175,060 | 236,830 | 184,475 | (52,355) |
| Capital outlay | - | - | 26,602 | 26,602 |
| Other | 4,670 | 4,670 | 1,895 | (2,775) |
| Total elementary | 5,629,130 | 5,700,600 | 5,747,772 | 47,172 |
| Middle school: | | | | |
| Salaries | 2,571,900 | 2,559,200 | 2,605,326 | 46,126 |
| Fringe benefits | 977,600 | 946,600 | 941,143 | (5,457) |
| Purchased services | 12,340 | 7,800 | 15,356 | 7,556 |
| Supplies and materials | 94,000 | 100,600 | 78,063 | (22,537) |
| Capital outlay | 5,000 | 5,000 | 29,661 | 24,661 |
| Other | 1,290 | 1,300 | 3,812 | 2,512 |
| Total middle school | 3,662,130 | 3,620,500 | 3,673,361 | 52,861 |
| High school: | | | | |
| Salaries | 2,682,800 | 2,556,800 | 2,548,323 | (8,477) |
| Fringe benefits | 1,149,400 | 1,084,900 | 1,093,036 | 8,136 |
| Purchased services | 33,000 | 32,500 | 47,162 | 14,662 |
| Supplies and materials | 130,850 | 122,800 | 123,057 | 257 |
| Capital outlay | 5,000 | 2,700 | 2,844 | 144 |
| Other | 3,000 | 1,800 | 1,825 | 25 |
| Total high school | 4,004,050 | 3,801,500 | 3,816,247 | 14,747 |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---------------------------------|--------------------|-----------------|------------|------------------------------|
| Expenditures (Continued) | | | | |
| Instruction (Continued) | | | | |
| Basic programs (Continued): | | | | |
| Preschool: | | | | |
| Salaries | \$ 24,700 | \$ 36,200 | \$ 34,043 | \$ (2,157) |
| Fringe benefits | 5,700 | 8,400 | 7,026 | (1,374) |
| Purchased services | 500 | 500 | 39 | (461) |
| Supplies and materials | 3,400 | 3,400 | 2,206 | (1,194) |
| Other | 100 | 100 | - | (100) |
| Total preschool | 34,400 | 48,600 | 43,314 | (5,286) |
| Other basic programs: | | | | |
| Salaries | 49,450 | 25,000 | 23,874 | (1,126) |
| Fringe benefits | 11,490 | 6,000 | 4,928 | (1,072) |
| Purchased services | 1,000 | 200 | - | (200) |
| Supplies and materials | 2,550 | 200 | 226 | 26 |
| Total other basic programs | 64,490 | 31,400 | 29,028 | (2,372) |
| Total basic programs | 13,394,200 | 13,202,600 | 13,309,722 | 107,122 |
| Added needs: | | | | |
| Special education: | | | | |
| Salaries | 776,850 | 726,900 | 834,745 | 107,845 |
| Fringe benefits | 287,400 | 275,900 | 277,341 | 1,441 |
| Supplies and materials | 500 | 1,000 | - | (1,000) |
| Other | 1,500 | 1,500 | 103,165 | 101,665 |
| Total special education | 1,066,250 | 1,005,300 | 1,215,251 | 209,951 |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---------------------------------|--------------------|-----------------|------------|---------------------------------|
| Expenditures (Continued) | | | | |
| Instruction (Continued) | | | | |
| Added needs (Continued): | | | | |
| Compensatory education: | | | | |
| Salaries | \$ 560,000 | \$ 560,000 | \$ 284,492 | \$ (275,508) |
| Fringe benefits | 187,200 | 187,200 | 70,328 | (116,872) |
| Purchased services | - | - | - | - |
| Supplies and materials | 17,100 | 17,100 | 24,252 | 7,152 |
| Total compensatory education | 764,300 | 764,300 | 379,072 | (385,228) |
| Total added needs | 1,830,550 | 1,769,600 | 1,594,323 | (175,277) |
| Adult education: | | | | |
| Secondary programs: | | | | |
| Salaries | 55,500 | 60,500 | 54,780 | (5,720) |
| Fringe benefits | 12,900 | 16,000 | 10,666 | (5,334) |
| Purchased services | 7,500 | 3,500 | 5,456 | 1,956 |
| Supplies and materials | 6,650 | 600 | 227 | (373) |
| Total secondary programs | 82,550 | 80,600 | 71,129 | (9,471) |
| Total instruction | 15,307,300 | 15,052,800 | 14,975,174 | (77,626) |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---------------------------------|--------------------|-----------------|--------------|------------------------------|
| Expenditures (Continued) | | | | |
| Support Services | | | | |
| Pupil services: | | | | |
| Salaries | \$ 1,881,200 | \$ 1,994,700 | \$ 1,960,444 | \$ (34,256) |
| Fringe benefits | 694,400 | 716,400 | 777,798 | 61,398 |
| Purchased services | 58,390 | 49,750 | 49,524 | (226) |
| Supplies and materials | 91,310 | 86,250 | 84,322 | (1,928) |
| Other | 400 | 400 | - | (400) |
| Total pupil services | 2,725,700 | 2,847,500 | 2,872,088 | 24,588 |
| Instructional staff: | | | | |
| Salaries | 775,000 | 663,900 | 807,924 | 144,024 |
| Fringe benefits | 397,000 | 355,800 | 285,487 | (70,313) |
| Purchased services | 88,950 | 89,450 | 42,526 | (46,924) |
| Supplies and materials | 71,100 | 66,100 | 104,202 | 38,102 |
| Other | 850 | 1,150 | 2,459 | 1,309 |
| Total instructional staff | 1,332,900 | 1,176,400 | 1,242,598 | 66,198 |
| General administration: | | | | |
| Salaries | 449,350 | 439,350 | 400,703 | (38,647) |
| Fringe benefits | 154,650 | 152,300 | 158,467 | 6,167 |
| Purchased services | 126,000 | 115,950 | 110,333 | (5,617) |
| Supplies and materials | 40,600 | 40,600 | 45,756 | 5,156 |
| Other | 12,000 | 12,000 | 31,434 | 19,434 |
| Total general administration | 782,600 | 760,200 | 746,693 | (13,507) |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|-------------------------------------|--------------------|-----------------|--------------|------------------------------|
| Expenditures (Continued) | | | | |
| Support Services (Continued) | | | | |
| School administration: | | | | |
| Salaries | \$ 1,313,400 | \$ 1,336,700 | \$ 1,329,255 | \$ (7,445) |
| Fringe benefits | 528,100 | 533,300 | 529,709 | (3,591) |
| Purchased services | 16,500 | 13,500 | 7,188 | (6,312) |
| Supplies and materials | - | - | 13,048 | 13,048 |
| Capital outlay | - | - | 604 | 604 |
| Other | 7,500 | 7,500 | 8,525 | 1,025 |
| Total school administration | 1,865,500 | 1,891,000 | 1,888,329 | (2,671) |
| Business services: | | | | |
| Salaries | 350,000 | 320,000 | 326,633 | 6,633 |
| Fringe benefits | 174,670 | 167,670 | 133,909 | (33,761) |
| Purchased services | 171,300 | 84,500 | 85,673 | 1,173 |
| Supplies and materials | 10,030 | 10,030 | 3,505 | (6,525) |
| Capital outlay | 2,500 | 2,500 | - | (2,500) |
| Other | 25,500 | 25,500 | 32,874 | 7,374 |
| Total business services | 734,000 | 610,200 | 582,594 | (27,606) |
| Operation and maintenance: | | | | |
| Salaries | 1,399,000 | 1,469,100 | 1,447,216 | (21,884) |
| Fringe benefits | 730,400 | 746,100 | 789,178 | 43,078 |
| Purchased services | 1,115,750 | 854,300 | 481,579 | (372,721) |
| Supplies and materials | 166,500 | 666,500 | 915,431 | 248,931 |
| Capital outlay | 42,500 | 42,500 | 17,593 | (24,907) |
| Other | 1,000 | 1,000 | 1,362 | 362 |
| Total operation and maintenance | 3,455,150 | 3,779,500 | 3,652,359 | (127,141) |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|-------------------------------------|--------------------|-----------------|------------|------------------------------|
| Expenditures (Continued) | | | | |
| Support Services (Continued) | | | | |
| Pupil transportation services: | | | | |
| Salaries | \$ 642,700 | \$ 726,000 | \$ 701,814 | \$ (24,186) |
| Fringe benefits | 302,900 | 322,100 | 345,620 | 23,520 |
| Purchased services | 84,000 | 85,300 | 100,703 | 15,403 |
| Supplies and materials | 111,500 | 114,500 | 136,572 | 22,072 |
| Capital outlay | 303,600 | 303,600 | 311,003 | 7,403 |
| Other | 2,000 | 2,000 | 2,669 | 669 |
| Total pupil transportation services | 1,446,700 | 1,553,500 | 1,598,381 | 44,881 |
| Central services: | | | | |
| Salaries | 268,100 | 268,100 | 287,663 | 19,563 |
| Fringe benefits | 91,820 | 91,820 | 96,427 | 4,607 |
| Purchased services | 151,930 | 151,080 | 120,673 | (30,407) |
| Supplies and materials | 63,900 | 126,300 | 127,975 | 1,675 |
| Capital outlay | 2,000 | 12,000 | 46,588 | 34,588 |
| Other | 1,700 | 700 | 809 | 109 |
| Total central services | 579,450 | 650,000 | 680,135 | 30,135 |
| Total support services | 12,922,000 | 13,268,300 | 13,263,177 | (5,123) |
| Community Services | | | | |
| Salaries | 193,000 | 183,000 | 217,952 | 34,952 |
| Fringe benefits | 44,800 | 40,500 | 51,283 | 10,783 |
| Supplies and materials | 12,800 | 8,200 | 30,597 | 22,397 |
| Purchased services | 4,000 | 4,000 | 5,756 | 1,756 |
| Other | 300 | 300 | 145 | (155) |
| Total community services | 254,900 | 236,000 | 305,733 | 69,733 |

South Redford School District

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2004

| | Original Budget | Final Budget | Actual | Over (Under) Final Budget |
|---|---------------------|---------------------|---------------------|------------------------------|
| Expenditures (Continued) | | | | |
| Debt Service | | | | |
| Principal | \$ 271,400 | \$ 246,400 | \$ 235,468 | \$ (10,932) |
| Interest | 29,600 | 9,600 | 19,665 | 10,065 |
| Total debt service | 301,000 | 256,000 | 255,133 | (867) |
| Capital Outlay | | | | |
| | - | 5,900 | 5,863 | (37) |
| Total expenditures | 28,785,200 | 28,819,000 | 28,805,080 | (13,920) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 34,009 | 34,009 |
| Transfers out | (440,500) | (475,000) | (428,079) | 46,921 |
| Interdistrict transfers | (290,000) | (290,000) | (276,955) | 13,045 |
| Proceeds from the sale of fixed assets | - | 44,000 | 44,000 | - |
| Proceeds from debt issuance | 300,000 | 300,000 | 301,116 | 1,116 |
| Total other financing sources (uses) | (430,500) | (421,000) | (325,909) | 95,091 |
| Net Change in Fund Balance | (600,000) | (226,500) | (473,911) | (247,411) |
| Fund Balance - July 1, 2003 | 6,664,837 | 6,664,837 | 6,664,837 | - |
| Fund Balance - June 30, 2004 | <u>\$ 6,064,837</u> | <u>\$ 6,438,337</u> | <u>\$ 6,190,926</u> | <u>\$ (247,411)</u> |

Other Supplemental Information

South Redford School District

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2004

| | Special Revenue Funds | | |
|--|-----------------------|-----------|------------|
| | Food | | |
| | Services | Athletics | Total |
| Revenue | | | |
| Local | \$ 579,860 | \$ 35,643 | \$ 615,503 |
| State | 57,821 | - | 57,821 |
| Federal | 335,495 | - | 335,495 |
| Total revenue | 973,176 | 35,643 | 1,008,819 |
| Expenditures - Current | | | |
| Food services | 939,667 | - | 939,667 |
| Athletics | - | 463,722 | 463,722 |
| Total expenditures | 939,667 | 463,722 | 1,403,389 |
| Excess of Revenue Over (Under) Expenditures | 33,509 | (428,079) | (394,570) |
| Other Financing Sources (Uses) | | | |
| Transfers in | - | 428,079 | 428,079 |
| Transfers out | (34,009) | - | (34,009) |
| Total other financing sources (uses) | (34,009) | 428,079 | 394,070 |
| Net Change in Fund Balances | (500) | - | (500) |
| Fund Balances - Beginning of year | 500 | - | 500 |
| Fund Balances - End of year | \$ - | \$ - | \$ - |

South Redford School District

Other Supplemental Information Schedule of Bonded Indebtedness Year Ended June 30, 2004

| Maturity Date | Interest Rate (Percent) | Maturing Per Year | Bonds Outstanding July 1, 2002 | Bonds Issued This Year | Bonds Retired This Year | Bonds Outstanding June 30, 2004 |
|------------------------|-------------------------------|----------------------|--------------------------------------|------------------------------|-------------------------------|---------------------------------------|
| 1996 issue | | | | | | |
| Due May 1: | | | | | | |
| 2004 | 6.50 | \$ 1,250,000 | \$ 1,250,000 | \$ - | \$ (1,250,000) | \$ - |
| 2005 | 6.50 | 1,325,000 | 1,325,000 | - | - | 1,325,000 |
| 2006 | 6.65 | 1,400,000 | 1,400,000 | - | - | 1,400,000 |
| 2007 | 6.75 | 1,475,000 | 1,475,000 | - | - | 1,475,000 |
| 2008 | 5.15 | 1,550,000 | 1,550,000 | - | - | 1,550,000 |
| 2009 | 5.25 | 1,625,000 | - | - | - | - |
| 2010 | 5.35 | 1,700,000 | - | - | - | - |
| 2011 | 5.40 | 1,775,000 | - | - | - | - |
| 2012 | 5.40 | 1,850,000 | 1,850,000 | - | - | 1,850,000 |
| 2013 | 5.40 | 1,925,000 | 1,925,000 | - | - | 1,925,000 |
| 2014 | 5.40 | 2,000,000 | 2,000,000 | - | - | 2,000,000 |
| 2015 | 5.40 | 2,025,000 | 2,025,000 | - | - | 2,025,000 |
| 2016 | 5.25 | 2,025,000 | 2,025,000 | - | - | 2,025,000 |
| 2017-2018 | 5.50 | 2,025,000 | 2,800,000 | - | - | 2,800,000 |
| 2019-2021 | 5.50 | 2,050,000 | 4,245,000 | - | - | 4,245,000 |
| 2022 | 5.50 | 2,050,000 | 1,415,000 | - | - | 1,415,000 |
| Total 1996 issue | | | <u>\$ 25,285,000</u> | <u>\$ -</u> | <u>\$ (1,250,000)</u> | <u>\$ 24,035,000</u> |
| Serial Refunding issue | | | | | | |
| Due May 1: | | | | | | |
| 2004 | 3.85 | \$ 50,000 | \$ 50,000 | \$ - | \$ (50,000) | \$ - |
| 2005 | 3.95 | 55,000 | 55,000 | - | - | 55,000 |
| 2006 | 4.05 | 55,000 | 55,000 | - | - | 55,000 |
| 2007 | 4.10 | 60,000 | 60,000 | - | - | 60,000 |
| 2008 | 4.15 | 60,000 | 60,000 | - | - | 60,000 |
| 2009 | 4.15 | 1,690,000 | 1,690,000 | - | - | 1,690,000 |
| 2010 | 4.20 | 1,745,000 | 1,745,000 | - | - | 1,745,000 |
| 2011 | 4.30 | 1,805,000 | 1,805,000 | - | - | 1,805,000 |
| 2012 | 4.35 | 10,000 | 10,000 | - | - | 10,000 |
| 2013 | 4.40 | 10,000 | 10,000 | - | - | 10,000 |
| 2014 | 4.50 | 15,000 | 15,000 | - | - | 15,000 |
| 2015 | 4.50 | 15,000 | 15,000 | - | - | 15,000 |
| 2016 | 4.50 | 15,000 | 15,000 | - | - | 15,000 |
| 2017 | 4.50 | 640,000 | 640,000 | - | - | 640,000 |
| 2018 | 4.50 | 635,000 | 635,000 | - | - | 635,000 |
| 2019 | 4.75 | 640,000 | 640,000 | - | - | 640,000 |
| 2020 | 4.75 | 635,000 | 635,000 | - | - | 635,000 |
| 2021 | 4.75 | 630,000 | 630,000 | - | - | 630,000 |
| 2022 | 4.75 | 630,000 | 630,000 | - | - | 630,000 |
| Total refunding issue | | | <u>\$ 9,395,000</u> | <u>\$ -</u> | <u>\$ (50,000)</u> | <u>\$ 9,345,000</u> |